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Message Text

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21
ACTION EA-09

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E.O. 11652: N/A
TAGS: ECON, EINV, MY
SUBJECT: FINANCE MINISTER RAZALEIGH ADDRESSES CHINESE ON INVESTMENT
NOTING NEW CONSULTATIVE MECHANISM

1. BEGIN UNCLASSIFIED. ON AUGUST 4 AT ANNUAL DINNER OF ASSOCIATED CHINESE CHAMBERS OF COMMERCE AND INDUSTRY, GUEST SPEAKER TENGKU TAZALEIGH HAMZAH REFERRED TO SUBSTANTIAL PRIVATE SECTOR INPUT REQUIRED UNDER THIRD MALAYSIA PLAN, NOTED UNCERTAINTY FELT BY CHINESE MALAYSIANS REGARDING IMPLEMENTATION OF INDUSTRIAL COORDINATION ACT, AND ENCOURAGED PRIVATE SECTOR, WHEN INVESTMENT PROBLEMS ARE ENCOUNTERED, TO RAISE THEM WITH SENIOR OFFICIALS AND MINISTERS.

2. RAZALEIGH TOOK OPPORTUNITY TO ANNOUNCE ESTABLISHMENT OF MINISTERIAL COMMITTEE SET UP TO ACCELERATE PACE OF PRIVATE INVESTMENT AND INDUSTRALIZATION, CHAIRED BY DEPUTY PRIME MINISTER AND INCLUDING MINISTERS OF LABOR, COMMUNICATIONS, TRADE AND INDUSTRY, HOME AFFAIRS, WORKS AND PUBLIC UTILITIES AND FINANCE. RAZALEIGH SAID THAT COMMITTEE WILL HAVE WIDE POWERS "TO REVIEW AND EVEN, IF NECESSARY, REVISE ALL POLICIES AND PROCEDURES" ON PRIVATE INVESTMENT TO ACHIEVE TMP TARGETS. RAZALEIGH FURTHER SAID THAT MINISTERIAL COMMITTEE PROVIDED PRI-VATE INVESTORS DIRECT ACCESS TO POLICYMAKERS, NOTHING THAT BALL NOW IN CHINESE BUSINESSMEN'S COURT AND URGING THEM TO CEASE
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COMPLAINING AND INSTEAD MOVE TO ACTION.

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3. RAZALEIGH ALSO INVITED CHINESE PRIVATE SECTOR ADVICE ON IMPLEMENTATION OF NEW ECOHTMIC POLICY SO AS TO REMOVE CONCERN AND ANXIETY. RAZALEIGH SAID THAT IT MAY BE USEFUL "TO IMPLEMENT THE NEP MORE EFFECTIVELY AND BENEFICALLY IN THE AREAS OF BIGGER BUSINESS SO THAT THE SMALLER FIRMS ARE NOT EFFECTED TO THE SAME EXTENT IN OUR MUTUAL EFFORTS TO ACHIEVE THE OBJECTIVES OF THE NEW ECONOMIC POLICY."

4. RAZALEIGH THEN SAID THAT GOVERNMENT'S ATTITUDE TO PRIVATE INVESTMENT IS "STRINGENT" ONLY WITH REGARD TO INVESTMENT IN NONRENEWABLE ASSETS SUCH AS PETROLEUM AND EMPHASIZED THAT THIS SHOULD NOT BE CONFUSED WITH GOVERNMENT'S MORE RELAXED ATTITUDE TOWARD PRIVATE INVESTMENT IN ALL OTHER SECTORS, THAT GOVERNMENT'S DEALINGS WITH OIL COMPANIES ARE NOT TYPICAL OF GOVERNMENT'S ATTITUDE TOWARD PRIVATE INVESTMENT AND EXPRESSED HOPE THAT DISTINCTION IS CLEARLY UNDERSTOOD TO REMOVE ONCE AND FOR ALL ANY UNCERTAINTY ON THAT SCORE. END UNCLASSIFIED.

5. COMMENT: BEGIN LIMITED OFFICIAL USE. RAZALEIGH'S REMARKS ARE PART OF GOVERNMENT'S CONTINUING EFFORTS WITH PRIVATE SECTOR TO RE-ESTABLISH FAVORABLE INVESTMENT CLIMATE. THIS CONTINUES TO BE AREA OF CONCERN FOR GOVERNMENT SINCE INVEST-MENT FIGURES FOR FIRST HALF 1976 SHOW NO IMPROVEMENT OVER SAME PERIOD A YEAR AGO. CHINESE ATTITUDE TOWARD INVESTMENT CONTINUES TO BE ONE OF "WAIT AND SEE". RAZALEIGH'S STATE-MENT (PARA 3 ABOVE) REFERS TO SIZE OF FIRMS WHICH WOULD BE EXEMPTED FROM PROVISIONS OF INDUSTRIAL COORDINATION ACT. THIS HAS BEEN BONE OF CONTENTION IN GOM-PRIVATE SECTOR NEGOTIATIONS AND MAY SUGGEST FURTHER FLEXIBILITY IN GOM'S POSITION, ALTHOUGH MINISTRY TRADE AND INDUSTRY IS RESPONSIBLE FOR ICA IMPLEMENTATION, NOT FINANCE. REAL TEST OF CHINESE INVESTMENT ATTITUDES SHOULD OCCUR IN SECOND HALF 1976 AS RECEIPTS FROM BOUYANT EXTERNAL SECTOR OF ECONOMY ARE RE-FLECTED IN INCREASED INTERNAL DEMAND. WHILE MINISTERIAL COMMITTEE COULD PROVE TO BE USEFUL, EVEN DECISIVE, INSTRUMENT FOR HANDLING PRIVATE SECTOR CONCERNS, IT IS TOO EARLY TO JUDGE. FEDERATION OF MALAYSIAN MANUFACTURERS SOURCE SAYS THAT CHINESE TEND TO ACCEPT CONCEPT OF LIMITED OFFICIAL USE

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UPSTREAM PETROLEUM AS SPECIAL CASE, BUT HAVE KEEN INTEREST IN "MANAGEMENT SHARES" CONCEPT DOWNSTREAM. UNDERHILL

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